



C O N S U L T I N G   L L C

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February 14, 2022

**Via E-Filing – Notice of Ex Parte Communications**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
45 L Street, NE  
Washington, DC 20554

**Re: *Report on the Future of the Universal Service Fund*, WC Docket No. 21-476;  
*Universal Service Contribution Methodology*, WC Docket No. 06-122**

Dear Ms. Dortch:

On behalf of the Ad Hoc Telecom Users Committee, INCOMPAS, NTCA – The Rural Broadband Association, Public Knowledge, the Schools, Health & Libraries Broadband (SHLB) Coalition, and the Voice on the Net Coalition, I am submitting a letter from 332 entities representing a broad and diverse group of stakeholders, including public interest groups, communications companies, anchor institutions, and consumers that collectively are urging the Federal Communications Commission (Commission) to take immediate action to reform and stabilize the funding mechanism that supports the Universal Service Fund (USF). The “Call to Action” letter urges the Commission to expand the services that pay into the USF to include broadband internet access services (BIAS). I also am submitting into the record of the above-captioned dockets the *USForward* report that I published in 2021, which concludes that including BIAS revenues in the contribution base would lower the USF contribution factor to less than 4% for the foreseeable future.<sup>1</sup>

The USF is under significant duress because the mechanism that pays for these important programs has not been modernized despite much more recent updates to the services that the programs support. As a result, we have seen the contribution factor rise significantly, and it could reach 40% in just four years if action is not taken. As explained in the *USForward* report, including BIAS revenues in the contribution base is smart and equitable public policy that the FCC can implement quickly. There are several reasons for the Commission to move forward with USF contribution reform now. Here’s why:

First, the current funding mechanism is not sustainable. In the last two decades, the revenues subject to USF assessment have declined by 63%, which has led to a 400%-plus increase in the contribution factor

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<sup>1</sup> Matthey Consulting, *FCC Must Reform USF Contributions Now: An Analysis of the Options* (Sept. 2021).

over that same period. This increase is unreasonable, unsustainable, and inequitable for providers and their customers. Indeed, the dramatic decline in assessable revenues has continued since the *USForward* report was published five months ago. As can be seen in the Commission's quarterly announcements of the proposed contribution factor, the adjusted contribution base for the last four quarters (Q2 2021 through Q1 2022) has declined more than 10% compared to the previous four quarters (Q2 2020 through Q1 2021). Stabilizing the USF is not a new issue, but what has made reform urgent is the increased (and continuing) instability of the funding mechanism at a time when broadband access has never been more important. Promoting the deployment, sustainability, and affordability of communications networks and services is how we help connect rural and low-income consumers, schools, libraries, and rural health care providers.

Second, expanding the current revenues-based system to include BIAS mitigates gamesmanship and promotes transparency by removing incentives of providers to arbitrarily allocate revenues from bundled services to one service and not the other. It would not require the development of complicated and untested reporting regimes to implement. This modification would lower the current USF assessment on voice service, resulting in a more equitable contribution system. Moreover, the small assessment on BIAS would not impact consumer broadband adoption.<sup>2</sup>

Third, there is significant and diverse support for the Commission to act fast to stabilize the USF. No proposed solution for USF reform will be perfect, but the Commission should not wait any longer. Time is of the essence. The calls for action are only getting louder. It is time to modernize the USF contribution methodology and sustain the USF for the future.

Please do not hesitate to contact the undersigned if there are questions regarding this submission.

Respectfully submitted,

/s/

Carol E. Matthey  
Principal  
Matthey Consulting, LLC

cc: Office of Chairwoman Jessica Rosenworcel  
Office of Commissioner Brendan Carr  
Office of Commissioner Geoffrey Starks  
Office of Commissioner Nathan Simington  
Kris Monteith, Chief, Wireline Competition Bureau  
Jodie Griffin, Chief, Telecommunications Access Policy Division  
Karen Sprung, Deputy Division Chief, Telecommunications Access Policy Division  
Charles Eberle, Assistant Division Chief, Telecommunications Access Policy Division

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<sup>2</sup> See Letter from Michael R. Romano, Senior Vice President, NTCA – The Rural Broadband Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 06-122 (filed May 11, 2020) (submitting a report prepared by the Berkeley Research Group, *NTCA-USF Study, Expert Report of Michael A. Williams and Wei Zhao* (dated May 7, 2020), that found a modest USF assessment on broadband service would have no material impact on broadband adoption and retention).